

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 L-03 EB-08 COME-00 TRSE-00 OMB-01
AGRE-00 SSO-00 NSCE-00 SS-15 SP-02 INRE-00
CIAE-00 INR-10 NSAE-00 AID-05 /055 W
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INFO AMEMBASSY ROME IMMEDIATE

C O N F I D E N T I A L SECTION 1 OF 2 ADDIS ABABA 3179

ROME FOR ASST SECY MOOSE

E.O.11652: GDS
TAGS: EINV, ET
SUBJ: ACTING FOREIGN MINSITER REACTS FAVORABLY TO
COMPENSATION ISSUE PROPOSAL

REF: A) ADDIS ABABA 3137, B) ADDIS ABABA 3136

SUMMARY. AT FIRST MEETING WITH ACTING FOREIGN MINISTER
DAWIT WOLDE-GHIORGIS, HE SHOWED "VERY POSITIVE" REACTION
TO PROPOSAL FOR WASH OF KALAMAZOO CLAIMS AND THEIR MOVE
AHEAD ON OVERALL COMPENSATION ISSUE WHICH HAS SO COMPLICATED
OUR BILATERAL RELATIONS OVER PAST FEW YEARS. HE CHARAC-
TERIZED PROPOSAL AS "GENEROUS GESTURE." DAWIT CAN BE
EXPECTED TO REPORT PROPOSAL, WHICH IS ESSENTIALLY AGREEMENT
FOR MUTUAL WITHDRAWAL OF U.S. COMPANY'S CLAIM AND ITS
FORMER ETHIOPIAN SUBSIDIARY'S COUNTERCLAIM, TO CHAIRMAN
MENGISTU BEFORE CREDENTIALS CEREMONY SCHEDULED FOR
MORNING JULY 21. END SUMMARY.

1. MY COURTESY CALL, ACCOMPANIED BY DCM, ON ACTING
FOREIGN MINISTER DAWIT WOLDE-GHIORGIS TURNED OUT TO BE
OCCASION FOR WHAT WE BELIEVE MAY BE FIRST FORWARD STEP
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TOWARD GETTING PART OF COMPENSATION ISSUE BEHIND US.
MEETING, WHICH WAS CORDIAL THROUGHOUT, OPENED WITH EXCHANGE
OF ASSURANCES THAT BOTH COUNTRIES ARE ANXIOUS TO IMPROVE
RELATIONS. I POINTED OUT PRESIDENT CARTER'S AND HIGH
ADMINISTRATION OFFICIALS' DESIRE TO OVERCOME SUCH MIS-
UNDERSTANDINGS AS HAD ARISEN IN RECENT YEARS AND IMPOR-
TANCE U.S. ATTACHES TO ETHIOPIA. WE WERE INTERESTED IN

CONTINUING TO PROVIDE ECONOMIC ASSISTANCE IF MUTUALLY ACCEPTABLE PROJECTS COULD BE FOUND. OUR AID STAFF HAD WORKED WITH ETHIOPIA ON THREE PROJECTS (GEMA GOFA, ORT IN GONDAR ADMINISTRATIVE REGION, AND PARTICIPATION IN IDA SECOND MINIMUM PACKAGE PROGRAM). THESE WERE ALL IMPORTANT PROJECTS WHICH MET MUTUAL OBJECTIVE OF DIRECT ASSISTANCE TO THE POOREST FARMERS. WE HAD URGED, UNSUCCESSFULLY, GREATER AID AND ATTENTION TO RURAL POOR EVEN UNDER EMPEROR. NOW WE SHOULD BE ABLE TO MOVE FORWARD TOGETHER. FRANKLY, HOWEVER, MANY IN THE AMERICAN GOVERNMENT HAVE WONDERED WHETHER PMGSE REALLY WANTED OUR HELP, AND I WOULD LIKE OPPORTUNITY TO DISCUSS THIS ISSUE SERIOUSLY WITH THE ACTING FOREIGN MINISTER AND OTHERS AT THE EARLIEST POSSIBLE OPPORTUNITY.

2. DAWIT RESPONDED BY POINTING OUT THAT, IN HIS VIEW, THE CAUSE OF OUR "STRAINED RELATIONS OVER THE LAST FOUR YEARS" WAS MAINLY ON OF INSUFFICIENT HIGH-LEVEL DIALOG. HE DID NOT WISH TO REVIEW PAST HISTORY, BUT ETHIOPIA WANTS TO START ANEW IN ITS RELATIONS WITH THE U.S. "THERE IS ABUNDANT GOOD WILL ON OUR PART," HE SAID, AND "WE HAVE FOUND THE SAME WILLINGNESS ON YOURS."

3. PICKING UP DAWIT'S FORTHCOMING OPENING, I ASKED FOR ETHIOPIAN HELP IN ATTAINING OUR COMMON OBJECTIVES. AS HE KNEW, U.S. IS A NATION OF LAWS, AND ONE OF THOSE LAWS
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INVOLVES COMPENSATION FOR NATIONALIZED AMERICAN ASSETS. THE USG OBVIOUSLY RECOGNIZED THE RIGHT OF ANY NATION TO NATIONALIZE PROPERTY FOR PUBLIC PURPOSES IF THERE IS PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION. U.S. PRIVATE ASSETS IN ETHIOPIA WERE NATIONALIZED OVER THREE AND A HALF YEARS AGO, AND THAT IS A LONG TIME. UNLESS THERE IS SIGNIFICANT PROGRESS VERY SOON TOWARD NEGOTIATING THE SETTLEMENT OF THE AMERICAN CLAIMS, THE USG WILL NOT BE ABLE TO PROVIDE THE KIND OF ECONOMIC DEVELOPMENT ASSISTANCE WE BELIEVE ETHIOPIA WANTS AND WITH WHICH WE WOULD LIKE TO BE ASSOCIATED.

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CIAE-00 INR-10 NSAE-00 AID-05 /055 W

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O 201416Z JUL 78

FM AMEMBASSY ADDIS ABABA

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INFO AMEMBASSY ROME IMMEDIATE

C O N F I D E N T I A L SECTION 2 OF 2 ADDIS ABABA 3179

ROME FOR ASST SECY MOOSE

4. I THEN EXPLAINED THAT I HAD MET WITH THE PRESIDENT OF THE LARGEST AMERICAN CLAIMANT, KALAMAZOO SPICE EXTRACTION COMPANY, PRIOR TO MY DEPARTURE FROM WASHINGTON. I HAD REASON TO BELIEVE THE COMPANY WOULD BE PREPARED TO WITHDRAW ITS CLAIM IF THE PMGSE AND GOVERNMENT-OWNED AND -CONTROLLED CORPORATIONS WOULD AGREE NOT TO PURSUE ANY CLAIMS AGAINST KALAMAZOO. I EMPHASIZED ADVANTAGES TO ETHIOPIAN SIDE, MAINLY THAT IT WOULD NOT COST THEM A PENNY IN CASH; THAT ELIMINATION OF CLAIM COULD BE DESCRIBED AS NOT SETTING A PRECEDENT BECAUSE OF SPECIAL CIRCUMSTANCES; THAT KALAMAZOO WAS APPARENTLY PREPARED TO RENEW PURCHASES OF SUBSTANTIAL AMOUNTS OF RED PEPPERS AND PAPRIKA AND ASSIST ITS FORMER SUBSIDIARY DEVELOP AND EXPORT NEW TYPES OF SPICES; THAT THIS IN TURN WOULD BRING IN SUBSTANTIAL ADDITIONAL FOREIGN EXCHANGE; AND FINALLY, THAT SUCH A SETTLEMENT WOULD IMPROVE RELATIONS BETWEEN ETHIOPIA AND U.S. LATER I FURTHER POINTED OUT THAT ACCEPTANCE OF PROPOSAL WOULD ALSO ELIMINATE THE NEED FOR HEAVY LEGAL COSTS WHICH WOULD BE ASSOCIATED WITH ANY ATTEMPT BY ETHIOPIAN CLAIMANTS TO RECOVER AGAINST KALAMAZOO.

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5. I HANDED DAWIT A "NON-PAPER" OUTLINING ABOVE AND INCLUDING SUGGESTED TEXTS SENT REF B. I POINTED OUT, OF COURSE, THAT LANGUAGE HAD NOT BEEN APPROVED BY KALAMAZOO AND THERE WOULD UNDOUBTEDLY HAVE TO BE CONSIDERABLE REWORKING REFLECTING DETAILED VIEWS OF PMGSE AND COMPANY. SOMEWHAT TO OUR SURPRISE, DAWIT IMMEDIATELY SHOWED POSITIVE RESPONSE TO MY "VERY INTERESTING" PROPOSAL. HE AGREED THAT COMPENSATION ISSUE HAD CAUSED A LOT OF BILATERAL PROBLEMS, PARTICULARLY U.S. ABSTENTION IN IDLIS AND THREATS TO VOTE "NO." U.S. INTERESTS WERE MINIMAL,

COMPARED TO OTHER COUNTRIES', AND IT WAS TOO BAD THIS HAD BECOME A COMPLICATING ISSUE. HE PERSONALLY CONSIDERED ABOVE PROPOSAL A "VERY GENEROUS GESTURE," AND HE PROMISED TO SUBMIT RIGHT AWAY TO COMPENSATION COMMISSION. HE SAID HE HOPED THAT IT "WOULD BE MET POSITIVELY." WE KNOW, OF COURSE, THAT IT WILL TAKE MORE THAN COMPENSATION COMMISSION DECISION TO GO FORWARD, AND WE SUSPECT FORM DAWIT'S APPARENT ENTHUSIASM THAT HE WILL RAISE IT TO THE HIGHEST LEVELS OF PMGSE. HE ADDED THAT, "I HOPE IT WILL CLEAR UP ALL OUR PROBLEMS."

6. FINALLY, I MENTIONED DCM HAD ASSURED ME THAT HE AND EMBASSY STAFF HAD ALWAYS BEEN TREATED WELL PERSONALLY AND EMBASSY HAD BEEN ABLE TO FUNCTION WITHOUT TROUBLE DURING HIS PERIOD AS CHARGE. I TRUSTED EMBASSY AND STAFF WOULD NOT ENCOUNTER ANY TROUBLE IN FUTURE. DAWIT NODDED AGREEMENT. (THIS LAST POINT WAS INCLUDED BECAUSE OF OUR FEAR, BASED ON A RELIABLE REPORT, THAT SOME LOCAL EMPLOYEES OF ERITREAN ORIGIN MAY BE ARRESTED IN VERY NEAR FUTURE. MY REMARK COULD POSSIBLY HELP STAVE OFF SUCH ACTION AND WILL, AT LEAST, GIVE ME A POINT OF REFERENCE IF WORSE COMES TO WORST.)

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7. HALF-HOUR MEETING ENDED ON MOST CORDIAL NOTE. DAWIT POINTED OUT THAT FOREIGN MINISTER FELEKE GEDLE-GHIORGIS WILL GO TO BELGRADE AFTER KHARTOUM, AND FOR THAT REASON WOULD, HIMSELF, ASK ME TO MEET WITH HIM "NEXT WEEK" TO GO OVER WHOLE RANGE OF SUBSTANTIVE ISSUES, SO WE CAN GET IT STRAIGHT "WHAT WE WANT FROM YOU AND WHAT YOU WANT FROM US." DCM AND I FEEL THAT, WHILE DAWIT IS KNOWN FOR HIS CORDIALITY, HE WAS ESPECIALLY POSITIVE IN HIS REACTION TO CONCRETE PROPOSAL TO MOVE ON LARGEST U.S. COMPENSATION CLAIM. IT IS ALSO PROBABLE THAT HE WILL BE IN TOUCH WITH CHAIRMAN MENGISTU BEFORE CEREMONY TOMORROW AND WE MAY GET FURTHER REACTION THEN.

8. ANY WASHINGTON VIEWS BEFORE THEN BY IMMEDIATE CABLE WOULD BE MOST HELPFUL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMPENSATION, GOVERNMENT REACTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ADDIS03179
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: I
Expiration:
Film Number: D780298-0496
Format: TEL
From: ADDIS ABABA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780740/aaaabhlt.tel
Line Count: 215
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6f6e3570-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 ADDIS ABABA 3137, 78 ADDIS ABABA 3136
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1948794
Secure: OPEN
Status: NATIVE
Subject: ACTING FOREIGN MINSITER REACTS FAVORABLY TO COMPENSATION ISSUE PROPOSAL
TAGS: EINV, ET
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/6f6e3570-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014